

**DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT**

ALASKA PUBLIC UTILITIES COMMISSION  
August 14, 1997

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DOCKET FILE COPY ORIGINAL

File: FCC CC No. 96-45

William F. Caton, Acting Secretary  
Federal Communications Commission  
Room 222, 1919 M Street N.W.  
Washington, DC 20554

Re: State-Developed, Forward-Looking Economic Cost  
Models (CC Docket No. 96-45)

Dear Mr. Caton:

The Alaska Public Utilities Commission (Commission) hereby responds to the Public Notice (DA No. 97-1501) released by the Federal Communication Commission (FCC) in CC Docket No. 96-45 on July 29, 1997. The Public Notice reiterates the option for state commissions to either accept the FCC's national model or develop a state specific Forward-Looking Economic Cost (FLEC) model for purposes of determining federal universal service support for nonrural companies. States are required to inform the FCC of their selection by August 15, 1997.

At this time, the Commission declines to develop a FLEC model for purposes of determining interstate cost support for nonrural companies in Alaska. The Commission appreciates the opportunity to develop such a model but finds it impossible, given limited time and resources, to develop a cost study by the February 6, 1998, deadline. Furthermore, the Commission is hesitant to submit a study given the condition that it must then use the same study for intrastate purposes. Such condition would appear to require the Commission to create a universal service fund for Alaska's most urban and one of its least-cost markets; namely, the Anchorage area. The Commission believes that universal service funding will be most needed in rural areas. At this time the Commission cannot commit to intrastate funding for an urban market when demands on the state's universal service fund in rural areas and the ability to support the total intrastate fund are under review. Alaska's low population base from which to assess support and high costs require that statewide funding be carefully and efficiently targeted.

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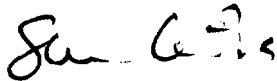
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The Commission also believes it is premature to require selection between a potentially expensive and time-consuming, state-developed study and an FCC model when the FCC model is still under development. While the Commission elects not to perform a state FLEC study, questions remain as to whether the FCC's ultimate model will represent Alaska's nonrural forward-looking costs. It is only after the FCC's FLEC model is finalized that it will be possible to evaluate this issue and determine whether further adjustments to the model are necessary.

BY DIRECTION OF THE COMMISSION

Sincerely,

ALASKA PUBLIC UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Sam Cotten", is written over the printed name.

Sam Cotten  
Chairman

cc: Attached list

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